

CHAPTER 6. ADVANCES AND PREPAYMENTS

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CHAPTER 6. ADVANCES AND PREPAYMENTS

6.1 OVERVIEW.

- 6.1.1 This chapter provides the National Aeronautics and Space Administration's (NASA) policy on accounting for advances and prepayments made within NASA and to employees, other Federal Government agencies, and Non-Federal Government organizations.

6.2 POLICY.

- 6.2.1 Advance payments to others may only be made if the advance is authorized by a specific appropriation, law, or the President of the United States.
- 6.2.2 NASA will account for advances and prepayments in accordance with applicable Public Laws as codified in the United States Codes (U.S.C.), Office of Management and Budget (OMB) Circulars, Department of Treasury (Treasury) policy and requirements, Federal Acquisition Regulation (FAR) requirements, and other governing authorities.
- 6.2.3 Amounts recorded as advances and prepayments shall be supported by documentation that clearly shows the basis for the amount recorded and the terms upon which an advance or prepayment is to be made.
- 6.2.4 Advances and prepayments made to other Federal agencies are intragovernmental transactions and should be accounted for and reported separately from amounts made to the public.
- 6.2.5 Advances include the following.
- A. Travel Advances. NASA may issue travel advances to employees subject to the provisions of 5 U.S.C. § 5705 and the Federal Travel Regulation. Although travel advances may be granted to employees, travel advances should be used minimally. The use of the Government travel card for official travel by NASA employees is to be encouraged in lieu of travel advances.
 - B. Advances to Grant Recipients. Grant recipients may be paid in advance provided they meet the requirements of OMB Circular No. A-110, Section 22.
 - C. Letter of Credit. Treasury prescribes regulations and instructions covering the use of letters of credit for advance payments under contracts. Additionally, FAR Subpart 32.4, § 32.406, contains policy and requirements for letter of credit for advance payments.
 - D. Advances to Federal Agencies. Advances to Federal agencies shall be made pursuant to law and agreements between NASA (the customer) and other federal agencies (the provider).

- E. Advances for Contract Financing Payments. Contract financing payments are authorized Government disbursements of monies to contractors prior to acceptance of supplies or services by the Government. The FAR Subpart 32, § 32.001, states that contract financing payments include advances payments. Refer to the FAR Subparts 32.2 and 32.4 for policies and procedures for advance payments on prime contracts and subcontracts. Additionally, the NASA FAR Supplement Subparts 1832.2 and 1832.4 contain terms in which advances can be used for contract financing payments.
- F. Small Business Concern. NASA may make advances to small business concerns under contracts for property or services. Advances for small business concern is subject to the provisions of 10 U.S.C. § 2307 and may only be made if the contractor gives adequate security and after NASA Administrator determines that to provide an advance would be in the public interest.

6.2.6 Recording Advances and Prepayments.

- A. NASA records all accounting transactions in the integrated accounting system, Integrated Enterprise Management Program (IEMP)/Core Financial (CF).
- B. Advances and prepayments paid out by NASA are to be recorded as assets in the appropriate U.S. Standard General Ledger (USSGL) accounts that have been established by the Treasury Financial Management Service. Amounts recorded as advances should be recorded separate from prepayments. Additionally, advances and prepayments paid out by NASA should not be netted against advances and prepayments that NASA receives from others.
- C. Generally, prepayments are recorded as assets; however, there are exceptions when prepayments should be recorded as an expense as opposed to an asset.
 - 1. Prepayments that are immaterial amounts of less than \$500 a month should be recorded as expenses.
 - 2. If the recipient of a prepayment will be delivering the goods or services within 30 days, the prepayment should be recorded as an expense.
- D. The USSGL accounts that are affected by each advance and prepayment related transaction and the applicable pro forma entries can be found at the Treasury Financial Management Service website.

6.2.7 Reconciliations and Verifications. To ensure the integrity of the data within the USSGL and the IEMP/CF modules, there are various account relationships and reconciliations that must remain in balance at all times. NASA Headquarters has identified account relationships and reconciliations

used to validate proper general ledger account postings in the Continuous Monitoring Program (CMP) document. Users should refer to the CMP for detailed information on the account relationships, reconciliations, and other advance and prepayment control activities that must be executed on a monthly, quarterly and yearly basis.

6.3 AUTHORITIES AND REFERENCES.

- 6.3.1 Advancements and Deductions (5 U.S.C. § 5705). An agency may advance, through the proper disbursing official, to an employee entitled to per diem or mileage allowances under this subchapter, a sum considered advisable with regard to the character and probable duration of the travel to be performed.
- 6.3.2 Contract Financing (10 U.S.C. §2307). The provisions of this code provide NASA authority to make advance, partial, progress, or other payments to small business concerns that meet the requirements of the law.
- 6.3.3 Advances (31 U.S.C. §3324). Based on the provisions of this code, advances shall only be made if authorized by a specific appropriation, law or the President of the United States.
- 6.3.4 Public Law 85-804 (50 U.S.C. §1431). Authorization; official approval; Congressional action: notification of committees of certain proposed obligations, resolution of disapproval, continuity of session, computation of period. This law authorizes NASA, if it exercises functions in connection with the national defense, acting in accordance with regulations prescribed by the President for the protection of the Government, to enter into contracts or into amendments or modifications of contracts made and to make advance payments thereon, without regard to other provisions of law relating to the making, performance, amendment, or modification of contracts, whenever it deems that such action would facilitate the national defense. Refer to the code for limitations and restrictions.
- 6.3.5 Federal Acquisition Regulation (FAR), Subpart 32.4, Advance Payments for Non-Commercial Items. This subpart provides policies and procedures for advance payments on prime contracts and sub contracts for non-commercial items.
- 6.3.6 FAR, Subpart 32.2, Commercial Item Purchase Financing, Subpart 32.202-1, "Policy." This section of the FAR provides the circumstances in which advance payments can be made for commercial items.
- 6.3.7 NASA FAR Supplement, Subpart 1832.2, Commercial Item Purchase Financing. This subpart addresses the exclusion of advance payment limitations for expendable launch vehicle service contracts.
- 6.3.8 NASA FAR Supplement, Subpart 1832.4, Advance Payments for Non-Commercial Items. This subpart provides the approval authorities for advance payments within NASA.

- 6.3.9 OMB Circular No. A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations. This Circular sets forth standards for obtaining consistency and uniformity among Federal agencies in the administration of grants to and agreements with institutions of higher education, hospitals, and other non-profit organizations. Section 22 of this Circular provides policy in which recipients are entitled to advanced payments.
- 6.3.10 OMB Circular No. A-127, Financial Management Systems. This circular prescribes policies and standards for developing, operating, evaluating, and reporting on financial management systems.
- 6.3.11 Treasury Financial Manual, Volume 1, Part 6, Chapter 2000, "Cash Advances Under Federal Grant and Other Programs." Treasury prescribes regulations governing advances to recipient organizations for financing operations under Federal grant and other programs.
- 6.3.12 Statement of Federal Financial Accounting Standards No.1, Accounting for Selected Assets and Liabilities. This SFFAS provides the standards of accounting for advance payments and prepayments.

6.4 ROLES AND RESPONSIBILITIES.

- 6.4.1 NASA Headquarters, Office of the Chief Financial Officer shall:
- A. Develop, maintain, issue, and interpret financial management policies for advances and prepayments.
 - B. Coordinate and monitor the processes and systems used to process, record and report advances and prepayments.
 - C. Perform quality control reviews to confirm that controls are effective and processes are efficient. Additionally, ensure internal reviews are conducted.
 - D. Review and monitor the CMP control activity data provided by NASA Centers and the NSSC.
- 6.4.2 NASA Centers and NSSC shall:
- A. Follow applicable policies in accounting for advances and prepayments.
 - B. Record advance and prepayment transactions timely, accurately, and in accordance with applicable Federal regulations and NASA's policies and procedures.
 - C. Maintain complete financial records of all supporting documentation.

- D. Ensure all documentation is readily available for review by procurement personnel, auditors, and NASA Headquarters or Centers' financial management personnel.
- E. Ensure adequate internal controls are in place, which include employing controls that limit access to data that is electronically transmitted and establishing/maintaining appropriate separation of duties.
- F. Timely complete the advances and prepayments CMP control activities as identified in the CMP document.

6.4.3 Competency Center shall:

- A. Process, in a timely manner, all system requests relating to advances and prepayments.
- B. Ensure the financial management system provides timely, reliable, useful, complete, and consistent financial management information in accordance with OMB Circular No. A-127.

6.5 DEFINITIONS.

6.5.1 Advances. Advances are cash outlays made by NASA to its employees, contractors, grantees, or others to cover a part or all of the recipient's anticipated expenses for the costs of goods and services NASA will acquire. Payments made in contemplation of the future receipt of goods, services, other assets, or the incurrence of expenditures are advances. Examples include travel advances disbursed to employees, and cash or other assets disbursed under a contract, grant, or cooperative agreement before goods or services are provided by the contractor or grantee.

6.5.2 Prepayment. Prepayments are payments made by NASA to cover certain periodic expenses before those expenses are incurred. Prepayments are amounts paid for goods and services to provide for future benefits over a specified time period. They apply when it is a generally accepted industry practice to pay for items such as rents, subscriptions, taxes, royalties, insurance, and maintenance agreements in advance of the service being provided and the prepayment is authorized by law.